

In the Supreme Court of the United States
OCTOBER TERM, 1982

ALEXANDER L. STEVAS,
CLERK

THE PRUDENTIAL INSURANCE COMPANY
OF AMERICA,

Petitioner,

v.

GIBRALTAR FINANCIAL CORPORATION OF CALIFORNIA, AND GIBRALTAR SAVINGS & LOAN ASSOCIATION,

Respondents.

BRIEF IN OPPOSITION TO
PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

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QUESTION PRESENTED

Whether The Court Of Appeals Properly Held That Despite Petitioner's Incontestable Rights, Petitioner Was Not Entitled To An Injunction Prohibiting Respondents From Continuing To Use A Mark Which They Had Used For 28 Years With The Knowledge And Acquiescence of Petitioner, Without Causing Any Actual Confusion, And Without Presenting Any Likelihood of Confusion In The Future?

PARTIES

All parties are named in the caption.¹

¹ Respondent Gibraltar Financial Corporation of California has no parent companies or affiliates or non-wholly owned subsidiaries. Respondent Gibraltar Savings & Loan Association has no affiliates or non-wholly owned subsidiaries; it is a wholly-owned subsidiary of Respondent Gibraltar Financial Corporation of California.

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Respondents (defendants in the district court and appellees below), pray that this Court not issue a writ of certiorari to review the judgment and opinion of the United States Court of Appeals for the Ninth Circuit entered December 16, 1982.

OPINIONS BELOW

The opinion of the United States Court of Appeals for the Ninth Circuit, reported at 694 F.2d 1150, is reprinted in the Petition (Pet. App. 5a-14a).² The opinion of the

²The following abbreviations will be used throughout this brief:
Pet. . . . : The Petition for Writ of Certiorari.
Pet. App. . . . : The Appendix to the Petition for Writ of Certiorari.

United States District Court for the Central District of California is also reprinted in the Petition (Pet. App. 15a-26a).

JURISDICTION

The jurisdiction of this Court is as stated in the Petition (Pet. 1).

STATUTES INVOLVED

The statutes involved are Section 15 of the Lanham Act (15 U.S.C. § 1065), Section 33(b) of the Lanham Act (15 U.S.C. § 1115(b)) and Section 34 of the Lanham Act (15 U.S.C. § 1116) which are reprinted in Appendix A.³

SUPPLEMENTAL STATEMENT OF THE CASE

Petitioner's statement of the proceedings below is deficient in two key respects. First, it fails to state that the District Court and the Court of Appeals both based their decisions in favor of Respondents on the fact that in the 28 years that Respondents continuously used their mark, Petitioner never objected despite its knowledge of such use (Pet. App. 6a and 25a), there had been no evidence of any actual confusion (Pet. 14a and 20a), and there was no likelihood of confusion in the future (Pet. 14a and 24a). Second, it states that the Court of Appeals did not reach the issue of infringement and suggests that Petitioner would have prevailed below but for Respondents' laches defense (Pet. 4). This is *not* correct. The Court of Appeals in fact affirmed the District Court's finding that there was no likelihood of confusion and thus no infringement (Pet. 14a).

³These statutes will hereinafter be referred to as simply "Section 15" or "Section 33(b)" or "Section 34".

The District Court's judgment in favor of Respondents on the infringement claim was predicated on *two* separate and independent grounds. One ground was that Petitioner's claim for injunctive relief was barred by laches. In this regard the District Court noted that Respondents had continuously used their mark openly and notoriously and with great success for 28 years with the full knowledge and acquiescence of Petitioner (Pet. App. 25a).

The other independent ground for the judgment relied upon by the District Court was that Respondents' use of their mark simply did not infringe any of Petitioner's registered marks; *i.e.*, there was a total lack of any likelihood of confusion arising from the simultaneous use by the parties of their respective marks (Pet. App. 24a). In reaching this result the District Court relied on the fact that in 28 years of such coexistence there had been no actual confusion as "the public has not been confused, mistaken or deceived" (Pet. App. 20a-21a). This led the District Court to conclude:

"There can be no more persuasive evidence that a 'likelihood of confusion' is just not a fact of life in this litigation. The reality of yesterday is more than just a prelude to the prescience of tomorrow." (Pet. App. 21a).

The Court of Appeals affirmed the judgment of the District Court on *both* of the above-stated independent grounds. Petitioner states that "[t]he issue of infringement was not reached" (Pet. 4). This statement is patently false. The Court of Appeals specifically affirmed the District Court's finding of no infringement, *i.e.*, no likelihood of confusion (Pet. App. 13a-14a). In this regard the Court of Appeals stated:

"It [*i.e.*, a survey taken by Petitioner] failed to show any confusion between Gibraltar's services and Prudential's services and that failure,

together with the fact that twenty-eight years of coexistence had produced no examples of actual confusion, make the fear of confusion in the future problematic." (Pet. App. 14a).

The Court of Appeals also pointed out that Respondents did not even compete with Petitioner and that the "mere possibility of future competition is too tenuous a basis upon which to reverse the district court . . . [and does] not create a basis for relief " (Pet. App. 13a).

Petitioner's statement of the proceedings below also improperly suggests that the Court of Appeals held that *any* legal or equitable defense not enumerated in Section 33 (b) may be asserted to bar *all* legal or equitable relief. This is *not* correct. The facts at issue below with respect to incontestability involved only the assertion of the *equitable* defense of laches to bar Petitioner's request for *equitable* enforcement of its rights in the form of an injunction against Respondents' continued use of their own mark; a mark that they had used continuously for 28 years with the knowledge and acquiescence of Petitioner and without causing any actual confusion.

The Court of Appeals was not called upon to address the issue of whether a defendant may assert a *legal* defense which does not seek to bar the equitable enforcement of a plaintiff's rights in a mark, but instead attacks the validity of the mark and questions the plaintiff's ownership of the mark. For example, the Court of Appeals was not requested to determine whether the defendant may properly claim that the plaintiff's mark is invalid because it is descriptive and lacks secondary meaning.

In addition, the Court of Appeals was not asked to decide whether laches or any other equitable defense may be asserted to bar *legal* relief such as damages.

SUMMARY OF ARGUMENT - REASONS FOR DENYING THE WRIT

It is a fundamental common law rule that a defendant charged with trademark infringement may raise laches as an equitable defense barring injunctive relief. This is reflected in Section 34 which empowers the courts to "grant injunctions, according to the principles of equity . . .". Section 33 (b) is silent as to its effect on traditional equitable defenses such as laches. The availability of the laches defense furthers the basic purposes of Section 33(b). Based on the foregoing and other important considerations, the Court of Appeals correctly held that Congress did not intend for Section 33 (b) to preclude the assertion of a laches defense against a claim for infringement seeking injunctive relief.

The decisions in the Fifth and Seventh Circuits relied upon by Petitioner hold only that Section 33 (b) precludes the assertion of extra-statutory *legal* defenses attacking the validity of the mark. They do not hold that Section 33(b) bars the assertion of the *equitable* defense of laches which does not attack the validity of the mark, but instead seeks to bar enforcement of the trademark owner's rights in the mark. They are not in conflict with the opinion of the Court of Appeals.

The District Court held that there was no infringement, *i.e.*, no likelihood of confusion arising from the simultaneous use by the parties of their respective marks. This constituted an independent basis for its judgment in favor of Respondents. The Court of Appeals upheld this holding. Petitioner does not challenge this portion of the Court of Appeals' decision. Thus, reversal by this Court as to Section 33(b) and the laches defense would not change the result below.

For all the reasons stated above, the Petition should be denied.

ARGUMENT – REASONS FOR DENYING THE WRIT**A. The Holding Of The Court Of Appeals That
The Laches Defense Is Available Is Proper
And Correct And Need Not Be Reviewed.**

Long ago this Court explicitly made laches available to a defendant charged with trademark infringement as an equitable defense barring injunctive relief. *French Republic v. Saratoga Vichy Spring Co.*, 191 U.S. 427, 436-437 (1903); *United Drug Co. v. Rectanus Co.*, 248 U.S. 90, 102-103 (1918). This well-settled common law rule is reflected in Section 34 which empowers the courts to “grant injunctions, according to the principles of equity. . .”. Section 33 (b) does not expressly preclude, nor does it specifically permit, the assertion of a laches defense (or any other traditional equitable defense such as acquiescence, waiver or estoppel) where a registrant has achieved incontestable rights; it is silent on the subject.

Based on the foregoing and other important considerations, the Court of Appeals correctly held that Section 33 (b) was *not* intended by Congress to permit incontestability to foreclose the right of a defendant charged with infringement to raise the equitable defense of laches to bar injunctive relief (Pet. App. 8a). A clearer expression of Congressional intent would be necessary to support the view that such a fundamental aspect of the common law of trademarks was to be repealed.

Petitioner states that two fundamental purposes of Section 33 (b) are to encourage a trademark owner to invest time and money developing the goodwill of its mark with the assurance that the mark cannot be appropriated by outsiders without legal remedy, and to protect the public from fraud and deceit (Pet. 5-7). Clearly these goals would be furthered by the availability of a laches defense which would encourage a trademark owner to

enforce its legal remedy thereby protecting the public from fraud and deceit. These objectives would be defeated if a trademark owner, like Petitioner, was permitted to and in fact encouraged to sleep on its rights as long as it wished and bring an infringement action 28 (or more) years after its cause of action arose even though it had knowledge that the defendant was building up a substantial business under a particular mark. This precise concern has been voiced by at least one eminent scholar. J. Gilson, 1 *Trademark Protection and Practice* § 4.03 [3] (1974).

B. The Holding Of The Court Of Appeals That The Laches Defense Is Available Is Not In Conflict With Decisions In Other Circuits.

Petitioner contends that the Court of Appeals' decision permitting a defendant charged with infringement to raise laches as an equitable defense barring injunctive relief is in conflict with precedent in the Fifth and Seventh Circuits (Pet.(i) and 3). The specific appellate decisions relied upon by Petitioner are *Union Carbide Corp. v. Ever-Ready, Inc.*, 531 F.2d 366 (7th Cir.), *cert. denied*, 429 U.S. 830 (1976) and *Soweco, Inc. v. Shell Oil Co.*, 617 F.2d 1178 (5th Cir. 1980), *cert. denied*, 450 U.S. 981 (1981). Neither one of these cases is in conflict with the decision of the Court of Appeals.

Both *Union Carbide* and *Soweco* were cases in which a defendant charged with infringement of a mark, which the plaintiff had an incontestable right to use, attacked the validity of the mark as a legal defense by asserting that the mark was descriptive but lacked secondary meaning. In each case the court held that incontestability meant that the mark was conclusively presumed to be non-descriptive or to have acquired secondary meaning and its validity could not be challenged on any ground not enumerated in Section 33(b). *In neither case did the court*

hold that the defendant could not assert an equitable defense such as laches, which does not attack the validity of a mark but instead seeks to bar enforcement of the trademark owner's rights in the mark.

In *Soweco*, the defendant did not raise any equitable defenses. In *Union Carbide*, the court rejected a laches defense not because it was barred by Section 33 (b), but because the time lapse was insufficient to establish laches on the facts of that case and because the defense was waived on appeal (531 F.2d at 389). The *Union Carbide* court also held that a court in the exercise of its *equity* powers may deny enforcement of a trademark used in violation of the antitrust laws separate and apart from the antitrust defense set forth in subdivision (7) of Section 33 (b) (*id.*); the court remanded the case for a determination as to the merits of the particular antitrust defense (*id.*).

It is significant that the only other case in the Fifth or Seventh Circuits cited by Petitioner to reach an appellate court was similar to *Union Carbide* in that the court rejected a laches defense not because it was barred by Section 33 (b), but because “[t]he evidence does not support the Defendant's defense of laches . . .”. *Exxon Corp. v. Humble Exploration Co.*, 524 F. Supp. 450, 467 (N.D. Tex. 1981), *aff'd in part and rev'd in part*, 695 F.2d 96 (5th Cir. 1983).

**C. A Reversal Of The Holding Of The Court
Of Appeals That The Laches Defense Is
Available Would Not Change The Result
Below.**

The Court of Appeals did not rest its decision to affirm the District Court's judgment in favor of Respondents solely on the basis that laches barred injunctive relief. Instead, the Court of Appeals went on to consider and uphold the District Court's finding of noninfringement,

i.e., a total lack of any likelihood of confusion arising from the simultaneous use by the parties of their respective marks (Pet. App. 12a-14a). This constituted an independent ground for the judgment in favor of Respondents.⁴

In support of its decision to uphold the District Court on this independent ground, the Court of Appeals concluded:

“It [*i.e.*, a survey taken by Petitioner] failed to show any confusion between Gibraltar’s services and Prudential’s services and that failure, together with the fact that twenty-eight years of coexistence had produced no examples of actual confusion, make the fear of confusion in the future problematic.” (Pet. App. 14a).

The Court of Appeals also pointed out that Respondents did not even compete with Petitioner and that the “mere possibility of future competition is too tenuous a basis upon which to reverse the district court . . . [and does] not create a basis for relief ” (Pet. App. 13a).

Petitioner here has not challenged the portion of the Court of Appeals’ decision upholding the District Court’s determination of no likelihood of confusion and no infringement. Thus, even if this Court were to grant certiorari and hold that laches is not a proper defense, the result in the present case would not be changed.

⁴Petitioner recognizes that even the owner of a trademark that has achieved incontestable status must prove likelihood of confusion to obtain *any* relief (Pet. 6).

CONCLUSION

The decision of the Court of Appeals is correct. It is *not* in conflict with the decision of another court of appeals on the same matter. A pronouncement by this Court on the questions presented by Petitioner would *not* change the result in the present case. The Petition should be denied.

Respectfully submitted,

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June 3, 1983

Section 15 provides as follows:

"Except on a ground for which application to cancel may be filed at any time under subsections (c) and (e) of section 1064 of this title, and except to the extent, if any, to which the use of a mark registered on the principal register infringes a valid right acquired under the law of any State or Territory by use of a mark or trade name continuing from a date prior to the date of registration under this chapter of such registered mark, the right of the registrant to use such registered mark in commerce for the goods or services on or in connection with which such registered mark has been in continuous use for five consecutive years subsequent to the date of such registration and is still in use in commerce, shall be incontestable: *Provided*, That --

- (1) there has been no final decision adverse to registrant's claim of ownership of such mark for such goods or services, or to registrant's right to register the same or to keep the same on the register; and
- (2) there is no proceeding involving said rights pending in the Patent and Trademark Office or in a court and not finally disposed of; and
- (3) an affidavit is filed with the Commissioner within one year after the expiration of any such five-year period setting forth those goods or services stated in the registration on or in connection with which such mark has been in continuous use for such five consecutive years and is still in use in commerce, and the other matters specified in subsections (1) and (2) of this section; and
- (4) no incontestable right shall be acquired in a mark which is the common descriptive name of any article or substance, patented or otherwise.

Subject to the conditions above specified in this section, the incontestable right with reference to a mark registered under this chapter shall apply to a mark registered under the Act of March 3, 1881, or the Act of February 30, 1905, upon the filing of the required affidavit with the Commissioner within one year after the expiration of any period of five consecutive years after the date of publication of a mark under the provisions of subsection (c) of section 1062 of this title.

The Commissioner shall notify any registrant who files the above-prescribed affidavit of the filing thereof."

Section 33(b) provides as follows:

"If the right to use the registered mark has become incontestable under section 1065 of this title, the registration shall be conclusive evidence of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the affidavit filed under the provisions of said section 1065 subject to any conditions or limitations stated therein except when one of the following defenses is established:

- (1) That the registration or the incontestable right to use the mark was obtained fraudulently; or
- (2) That the mark has been abandoned by the registrant; or
- (3) That the registered mark is being used, by or with the permission of the registrant or a person in privity with the registrant, so as to mis-

represent the source of the goods or services in connection with which the mark is used; or

(4) That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a trade or service mark, of the party's individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe to users the goods or services of such party, or their geographic origin; or

(5) That the mark whose use by a party is charged as an infringement was adopted without knowledge of the registrant's prior use and has been continuously used by such party or those in privity with him from a date prior to registration of the mark under this chapter or publication of the registered mark under subsection (c) of section 1062 of this title: *Provided, however,* That this defense or defect shall apply only for the area in which such continuous prior use is proved; or

(6) That the mark whose use is charged as an infringement was registered and used prior to the registration under this chapter or publication under subsection (c) of section 1062 of this title of the registered mark of the registrant, and not abandoned: *Provided, however,* that this defense or defect shall apply only for the area in which the mark was used prior to such registration or such publication of the registrant's mark; or

(7) That the mark has been or is being used to violate the antitrust laws of the United States.

Section 34 provides as follows:

"The several courts vested with jurisdiction of civil actions arising under this chapter shall have power to grant injunctions, according to the principles of equity and upon such terms as the court may deem reasonable, to prevent the violation of any right of the registrant of a mark registered in the Patent and Trademark Office. Any such injunction may include a provision directing the defendant to file with the court and serve on the plaintiff within thirty days after the service on the defendant of such injunction, or such extended period as the court may direct, a report in writing under oath setting forth in detail the manner and form in which the defendant has complied with the injunction. Any such injunction granted upon hearing, after notice to the defendant, by any district court of the United States, may be served on the parties against whom such injunction was granted, or by any other United States district court in whose jurisdiction the defendant may be found.

The said courts shall have jurisdiction to enforce said injunction, as provided in this chapter, as fully as if the injunction has been granted by the district court in which it is sought to be enforced. The clerk of the court or judge granting the injunction shall, when required to do so by the court before which application to enforce said injunction is made, transfer without delay to said court a certified copy of all papers on file in his office upon which said injunction was granted.

It shall be the duty of the clerks of such courts within one month after the filing of any action,

suit, or proceeding arising under the provisions of this chapter to give notice thereof in writing to the Commissioner setting forth in order so far as known the names and addresses of the litigants and the designating number or numbers of the registration or registrations upon which the action, suit, or proceeding has been brought, and in the event any other registration be subsequently included in the action, suit, or proceeding by amendment, answer, or other pleading, the clerk shall give like notice thereof to the Commissioner, and within one month after the decision is rendered, appeal taken or a decree issued the clerk of the court shall give notice thereof to the Commissioner, and it shall be the duty of the Commissioner on receipt of such notice forthwith to endorse the same upon the file wrapper of the said registration or registrations and to incorporate the same as part of the contents of said file wrapper."

PROOF OF SERVICE BY MAIL

State of California

ss.

County of Los Angeles

I, the undersigned, say: I am and was at all times herein mentioned, a citizen of the United States and a resident of the County of Los Angeles, over the age of eighteen (18) years and not a party to the within action or proceeding; that my business address is 3340 Ocean Park Boulevard, Suite 3005, Santa Monica, California 90405: that on June 3, 1983, I served the within *Brief in Opposition to Petition For Writ of Certiorari* in said action or proceeding by depositing true copies thereof, enclosed in a sealed envelope with first-class postage thereon fully prepaid, in the United States mail at Santa Monica, California, addressed as follows:

Clerk, U.S. Supreme Court
One First Street, N.W.
Washington, D.C. 20543

John S. Kingdon
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Washington, D.C. 20006

I declare under penalty of perjury that the foregoing is true and correct. Executed on June 3, 1983 at Santa Monica, California.

Kirk W. Harney
(Original signed)